

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GENERAL TELEPHONE COMPANY)	
OF THE SOUTH FOR AUTHORITY TO FILE)	
TARIFFS FOR THE RECOVERY OF REVENUE)	CASE NO. 10116
REQUIREMENTS CAUSED BY THE CHANGES IN)	
ACCOUNTING PROCEDURES)	

O R D E R

On December 30, 1987, General Telephone Company of the South ("GTE") filed an application requesting authority to file tariff changes to permit the recovery of revenue requirements caused by changes in accounting procedures. GTE estimated its intrastate revenue requirement impact to be \$5,759,988 as a result of capital to expense shifts mandated by the accounting changes in Administrative Case No. 310.¹ GTE requested that the Commission waive the requirement for filing a notice of intent to file a rate application (807 KAR 5:011, Section 8(1)). GTE filed tariffs with the application with an effective date of January 19, 1988.

On January 5, 1988, the Attorney General of the Commonwealth of Kentucky by his Utility and Rate Intervention Division ("AG") moved to intervene in the proceeding. The motion was granted on January 7, 1988.

¹ Adoption of a New Uniform System of Accounts for Kentucky Telephone Companies, October 27, 1987 Order.

On January 11, 1988, the Commission issued an Order suspending the proposed tariffs for a period of up to 5 months from the effective date of January 19 because further proceedings were necessary in order for the Commission to determine the reasonableness of GTE's proposal.

On January 12, 1988, GTE filed financial exhibits in support of its application.

On January 14, 1988, the AG filed a Motion To Dismiss the application citing GTE's alleged failure to comply with regulatory requirements of the Commission. The AG stated that the company's application was, "regardless of its title, an application for a general rate increase." KRS 278.180; KRS 278.190. The AG then stated that the company failed to comply with the following requirements: (1) Notification of the Commission of GTE's intent to file a rate application at least 4 weeks prior to filing. 807 KAR 5:011, Section 8(1). (2) Notice to customers of the proposed rate changes. The regulation specifically states that the first of three notices is to be made prior to filing the application with the Commission. 807 KAR 5:011, Section 8(2). (3) Filing Articles of Incorporation with the application or a reference to a prior filing containing such Articles. 807 KAR 5:001, Section 8. (4) Filing financial exhibits, a description of its property, the effect on the average customer bills, and a statement certifying that the utility's annual reports are on file with the Commission. 807 KAR 5:001, Section 10(1). (5) Filing complete financial data for the 12 months corresponding to the test period. Here, the AG states that while this filing is required sometime prior to

the hearing, it is customary to file at the time of the application. 807 KAR 5:001, Section 10(2). After listing these deficiencies, the AG stated that, although a deviation from the regulations could be sought under 807 KAR 5:011, Section 14, the applicant must give good cause for the deviation, which in this case was not done.

On January 20, 1988, GTE filed its response to the AG's motion. GTE states that its filing of December 30 was an application seeking authority to use "special procedures" concerning the filing of tariffs. The special procedures requested by GTE consist of (1) a waiver of 807 KAR 5:011, Section 8(1) which requires the 4 week notice to the Commission of a company's intent to file rate changes; and (2) a request that the Commission exercise its discretion and accept and approve tariff filings upon 20 days notice pursuant to KRS 278.180.

GTE stated that in lieu of the normal financial exhibits, it had filed "absorption test" financial information. The Company stated that the absorption test and the tariff revisions were intended to provide the Commission with the full information needed to evaluate the company's application for authority to use the special procedures according to the company.

In response to the AG's contention that the company should have already provided public notice of its proposed rate changes, GTE claims that because it had merely requested the use of special procedures and has not received authority to do so, it was premature to file any public notice and that, furthermore, such

public notice will be given upon approval of the special procedures.

In addition to these items, the AG and the company discussed the impact of GTE's December 30, 1987, notice of intent to file rate changes in a general rate case, which is Case No. 10117.² The AG stated that there was no reason why the company could not include in the general rate case proposed adjustments dealing with the revenue requirement associated with the accounting changes. The AG also contended that it was "an unnecessary duplication of the Commission's time and effort to have two on-going rate cases for applicant when one will suffice." The AG references GTE's own arguments for consolidation of its prior rate case, Case No. 9678³ and its Tax Reform Act proceeding, Case No. 9800⁴. In response, GTE distinguished its actions in its prior case by stating that the Commission had given companies notice that rates were subject to change for the tax case at a date anticipated to precede the Order in the rate case.

In summary the AG contends that GTE has given no good cause for its wholesale deviation from the rules, whereas GTE states

² Adjustment of Rates of General Telephone Company of the South.

³ An Adjustment of Rates of General Telephone Company of the South.

⁴ The Effects of the Federal Tax Reform Act of 1986 on the Rates of General Telephone Company of the South.

that its request for relief in its application was a Commission Order authorizing the filing of tariff revisions upon 20 days notice to the Commission and upon notice to the public.

FINDINGS AND ORDERS

The Commission, having thoroughly reviewed the application, the motion and its response, and being advised, is of the opinion and finds that:

1. GTE's application is severely deficient particularly by its failure to have provided notice to the public of the proposed rate changes;

2. GTE's financial exhibits (absorption test data) were inadequately supported in that it presented a summary of the results without underlying assumptions and documentation.

3. There is a natural and efficient avenue in which to address all of the substantive issues raised in this case, the company's general rate case currently pending before the Commission, Case No. 10117;

4. Concurrent filings of a general rate case and a single issue case would only lead to confusion.

5. Because of the confusion, the deficiencies in the filing, and the lack of supporting financial data, expedited treatment is not likely to render a decision substantially sooner than one is expected in the general rate case.

6. GTE's request for the use of "special procedures" for filing tariffs for the recovery of revenue requirement associated with accounting changes is denied; and

7. The AG's Motion to Dismiss this case is hereby granted and this case is dismissed without prejudice.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 29th day of January, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Leonard Jr.
Chairman

Robert M. Davis
Vice Chairman

James W. Williams Jr.
Commissioner

ATTEST:

Executive Director